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December 18, 2001

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station – 2nd Floor
Boston, MA 02110

**Re: NSTAR Gas Company, Residential Conservation Services Program Budget Filing
D.T.E. 01-83**

Dear Secretary Cottrell:

On behalf of NSTAR Gas Company and the Division of Energy Resources, I am pleased to file with the Department of Telecommunications and Energy a fully executed Joint Motion for Approval of Settlement and related Offer of Settlement addressing all matters in the above-reference proceeding.

If you have any questions in this matter, please contact me.

Sincerely,


John Cope-Flanagan

Enclosures

cc: Jody M. Stiefel, Hearing Officer
Betty Jackson, Gas Division
Steven I. Venezia, Deputy General Counsel, DOER
Joseph Rogers, Assistant Attorney General

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

NSTAR GAS COMPANY

D.T.E. 01-83

OFFER OF SETTLEMENT

This Offer of Settlement ("Settlement") is entered into this 18th day of December, 2001 by and between NSTAR Gas Company ("NSTAR Gas" or the "Company") and the Commonwealth of Massachusetts Division of Energy Resources ("DOER"), for the purpose of resolving all issues that were raised in connection with the above-captioned proceeding. NSTAR Gas and DOER are collectively referred to herein as the "Settling Parties." Pursuant to 220 C.M.R. § 1.10(8), the Settling Parties stipulate to the following:

1. On November 1, 2001, pursuant to G.L.c. 164 App., §§ 2-1 through 2-10 and 220 C.M.R. §§ 7.00 et seq., NSTAR Gas filed with the Department of Telecommunications and Energy ("Department") a petition for approval by the Department of the Company's proposed operating budget of \$379,955 and applicable monthly surcharge of \$0.10 per monthly bill for the residential energy conservation service ("RCS") program for the calendar year January 1, 2002 through December 31, 2002 ("CY-2002").

2. Pursuant to G.L.c. 164 App., §§ 2-1 through 2-10 DOER must adopt a state plan and promulgate regulations necessary to implement that plan. DOER is responsible for (a) establishing residential energy and conservation goals; (b) establishing RCS program guidelines; (c) monitoring the implementation of the program requirements; and (d) overseeing the implementation of the state plan by approving a utility coalition action plan ("CAP"). DOER has implemented the redesign of the RCS program, including the amendment of existing regulations at 225 C.M.R. §§ 4.00 et seq. NSTAR Gas participated in this process.

3. In support of this Offer of Settlement, the Settling Parties hereby incorporate into this Settlement the exhibits NSTAR Gas filed with the Department on November 1st in support of its proposed budget and surcharge.

4. DOER has received and reviewed NSTAR Gas's CY 2002 budget filing and finds that it is adequate to support the activities outlined and specified in the CAP approved by the DOER on July 31, 2001.

5. NSTAR Gas's RCS budget filing complies with the requirements established in G.L.c. 164 App., §§ 2-1 through 2-10; 220 C.M.R. §§ 7.00 et seq.; and the filing requirements set forth in Mass. Save, Inc., D.P.U. 85-189 (1985).

6. NSTAR Gas's actual expenses for the first eight months of its calendar year 2001, January 1, 2001 through August 31, 2001, were \$194,988.44 and are reasonable and therefore recoverable from ratepayers (Exh. 8). The Settling Parties agree that the Department will review the Company's actual expenditures for the final four months of 2001 in the next annual RCS budget review.

7. NSTAR Gas's CY-2002 budget is consistent with its CY 2001 budget, which was approved by the Department and endorsed by the DOER. These twelve-month estimated expenditures for CY-2002 are reasonable and recoverable from the ratepayers.

8. The Company's proposed RCS surcharge of \$0.10, up from \$0.09, should enable NSTAR Gas to assure the successful implementation of its RCS program and will be subject to reconciliation as noted below.

9. Pursuant to 220 CMR 7.00, the Company will submit an updated filing containing the reconciliation of actual expenditures of CY 2001 when the Company files the CY-2003 RCS budget for Department review and approval.

10. The Company calculated its RCS surcharge by dividing the total number of bills expected to be rendered during CY-2001 by the net amount to be collected to support RCS services and factoring in an adjustment (to be reconciled in the Company's next RCS filing) (Exh. 11). The RCS surcharge to be applied to the Company's bills during CY-2002 shall be \$0.10 per bill per month.

11. NSTAR Gas's proposed CY-2002 RCS program budget, budget reconciliations, and proposed CY 2002 surcharge, are reasonable.

12. The making of this Settlement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in these proceedings is true or valid.

13. This Settlement is expressly conditioned upon the Department's acceptance of all of its provisions, without change or condition on or before December 31, 2001, and if the Department does not accept it in its entirety, without change or condition, the Settlement shall be deemed to be null and void and without effect, and shall not constitute any part of the record in this proceeding nor be used for any other purpose.

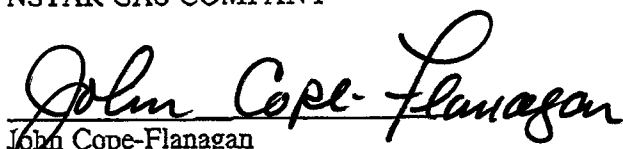
14. The Department's acceptance of this Settlement does not constitute continuing approval of, or precedent regarding, any particular issue in this proceeding, but such

acceptance does constitute a determination that, as the Settling Parties believe, the provisions set forth herein are just and reasonable.

15. The discussions which have produced this Settlement have been conducted on the understanding that all offers of settlement and discussion relating thereto are and shall be privileged, and shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in any manner in connection with this proceeding, any further proceeding or otherwise.

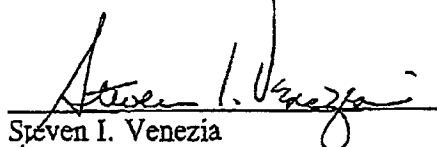
Wherefore, the Settling Parties agree to jointly petition the Department to approve this Offer of Settlement by submitting a Joint Motion for Approval of Offer of Settlement in accordance with 220 C.M.R. § 1.10(8), and by their attorneys do hereunto affix their names.

NSTAR GAS COMPANY



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DIVISION OF ENERGY RESOURCES



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COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

NSTAR GAS COMPANY

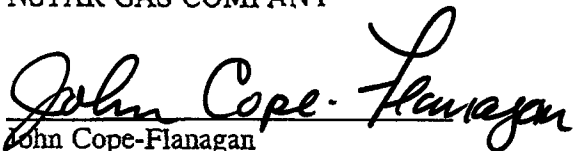
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JOINT MOTION FOR APPROVAL OF SETTLEMENT

Pursuant to 220 C.M.R. §1.10(8), NSTAR Gas Company and the Massachusetts Division of Energy Resources (hereinafter collectively referred to as the "Settling Parties") jointly request that the Department of Telecommunications and Energy approve, on or before December 31, 2001, the Offer of Settlement attached hereto.

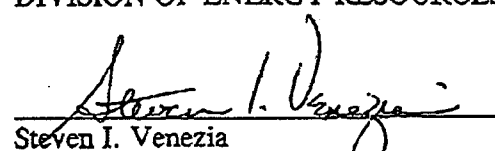
Respectfully submitted for the Settling Parties by their attorneys this 18th day of December 2001.

NSTAR GAS COMPANY



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